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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

MISSION

OMB APPROVAL

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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 10/01/07

AND ENDING 09/30/08

MM/DD/YYYY

MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SPEARHEAD, LLC

OFFICIAL USE ONLY

ADDRESS OF PRINCIPLE PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

2 TITUS ROAD

(No. and Street)

WASHINGTON DEPOT

CT

06794

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

MATTHEW L. ROOT

860-868-9922

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

LARRY D. LIBERFARB, P.C.

(Name - if individual, state first, last, middle name)

11 VANDERBILT AVENUE

NORWOOD

MA

02062

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its properties

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\*Claims for exemption from the requirements that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17-a-8(e)(2)

SEC 1410 (05-01) Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

OATH OR AFFIRMATION

I, MATTHEW L. ROOT, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SPEARHEAD, LLC, as of

SEPTEMBER 30, 20 08, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principle officer or director has any proprietary interest in any account classified solely as that of A customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature

MEMBER

Title



Notary Public

**BETSY A. ROSS**  
**NOTARY PUBLIC**  
**STATE OF CONNECTICUT**

This report\*\* contains (check all applicable boxes) **My Commission Expires March 31, 2012**

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control requirements Under Rule 15c2-3.
- ☒ (j) A Reconciliation. Including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**SPEARHEAD, LLC  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

# LARRY D. LIBERFARB, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
AND FINANCIAL ADVISORS

11 Vanderbilt Avenue, Suite 220, Norwood, Massachusetts 02062  
Tel. (781) 255-8800 Fax (781) 255-9217  
E-Mail: Info@Liberfarb.com


## Independent Auditor's Report

To the Sole Member of  
Spearhead, LLC

We have audited the accompanying statement of financial condition of Spearhead, LLC as of September 30, 2008 and the related statements of income, changes in member's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spearhead, LLC as of September 30, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
Norwood, Massachusetts  
October 28, 2008

**SPEARHEAD, LLC**

**STATEMENT OF FINANCIAL CONDITION**

**SEPTEMBER 30, 2008**

**ASSETS**

Cash	\$ 162,127
Fees receivable	206,780
Property and equipment at cost, less accumulated depreciation of \$24,352	70,133
Other assets	<u>6,667</u>
	<u>\$ 445,707</u>

**LIABILITIES AND MEMBER'S EQUITY**

Liabilities:	
Accounts payable, accrued expenses, and other liabilities	\$ 42,880
Long-term notes payable	<u>48,394</u>
	<u>91,274</u>
Member's equity:	<u>354,433</u>
	<u>\$ 445,707</u>

The accompanying notes are an integral part of these financial statements.

**SPEARHEAD, LLC**

**STATEMENT OF INCOME**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Revenues:

Fees	\$ 475,659
Other income	<u>8,806</u>
	<u>484,465</u>

Expenses:

Employee compensation and benefits	210,592
Communications and data processing	82,640
Interest	3,979
Occupancy	11,595
Other expenses	<u>218,878</u>
	<u>527,684</u>

Net loss	<u><u>\$ (43,219)</u></u>
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The accompanying notes are an integral part of these financial statements.

**SPEARHEAD, LLC**  
**STATEMENT OF CHANGES IN MEMBER'S EQUITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Balance at October 1, 2007	\$ 32,314
Capital contributions	365,338
Net loss	<u>(43,219)</u>
Balance at September 30, 2008	<u>\$ 354,433</u>

The accompanying notes are an integral part of these financial statements.

**SPEARHEAD, LLC**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Cash flows provided by operating activities:	
Net income (loss)	\$ (43,219)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	22,748
(Increase) Decrease in operating assets:	
Increase in fees receivable	(206,780)
Increase in other assets	(6,667)
Increase (Decrease) in operating liabilities:	
Increase in accounts payable, accrued expenses	<u>42,880</u>
Total adjustments	<u>(147,819)</u>
 Net cash provided by operating activities	 (191,038)
 Cash flows used for investing activities:	
Acquisition of equipment	(17,494)
 Cash flows used for financing activities:	
Capital contributions	365,338
Payment of long term debt	<u>(14,431)</u>
	<u>350,907</u>
 Increase in cash	 142,375
 Cash at beginning of the year	 <u>19,752</u>
 Cash at end of the year	 <u><u>\$ 162,127</u></u>
 Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	\$ 3,979
Income taxes	\$ 0

Disclosure of accounting policy:

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of these financial statements.



## **SPEARHEAD, LLC**

### **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2008**

#### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

##### **Organization and Nature of Business:**

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC), and became a member of the Financial Industry Regulatory Authority (FINRA) on April 10, 2008.

##### **Investment Sales and Marketing**

Fees are earned from providing specialized sales and marketing services to alternative investment managers across a wide spectrum of asset classes.

##### **Accounts Receivable**

Management closely monitors outstanding accounts receivable and charges off to expense all balances that are determined to be uncollectible.

##### **Property and Equipment**

Property and equipment are recorded at cost. The cost of maintenance and repairs is charged to operations as incurred. Major improvements to property and equipment are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

##### **Income Taxes**

Taxable income (or losses) are passed through to the sole member of the company, and not taxed at the company level. Therefore, no provision or liability for federal or state income taxes are required in these financial statements.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

#### **NOTE 2 - NET CAPITAL**

As a broker-dealer, the Company is subject to the Securities and Exchange Commission's regulations and operating guidelines, which requires the Company to maintain a specified amount of net capital, as defined of \$5,000, and a ratio of aggregate indebtedness to net capital, as defined, not exceeding 8 to 1. The Company's net capital, as computed under Rule 15c3-1, was

**SPEARHEAD, LLC**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**SEPTEMBER 30, 2008**

**NOTE 2 - NET CAPITAL (Continued)**

\$70,853 at September 30, 2008, which exceeds required net capital of \$5,000 by \$65,853. The ratio of aggregated indebtedness to net capital at September 30, 2008 was 1.29 to 1.

**NOTE 3 - RELATED PARTY TRANSACTIONS**

The Company rents office space from its sole member. The rent charged was \$ 8,000 for the fiscal year ending September 30, 2008. At September 30, 2008 the Company did not owe any monies to the related party. Because this is a related entity, operating results could vary significantly from those that would be obtained if this entity was autonomous.

**NOTE 4 - PROPERTY AND EQUIPMENT**

As of September 30, 2008 major classes of property and equipment consisted of the following:

Computer equipment	\$ 17,494
Motor vehicle	<u>76,991</u>
	94,485
 Less: Accumulated depreciation	 <u>24,352</u>
	<u>\$ 70,133</u>

Depreciation expense for 2008 was \$22,748.

**NOTE 5 - LONG TERM NOTES PAYABLE**

Note payable requiring monthly payments of \$1,533, including interest at 6.89% maturing August 2011, secured by automobile	\$ 48,394
Less - current portion	<u>15,489</u>
Long term portion	<u>\$ 32,905</u>

Future minimum principal debt payments are as follows:

2009	\$ 15,489
2010	16,615
2011	<u>16,290</u>
	<u>\$ 48,394</u>

**SPEARHEAD, LLC**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**SEPTEMBER 30, 2008**

**NOTE 6 – CONCENTRATIONS**

The Company derived approximately 95% of its revenue from one customer for the fiscal year ending September 30, 2008.

**SPEARHEAD, LLC**  
**SUPPLEMENTARY SCHEDULES**  
**SEPTEMBER 30, 2008**

# LARRY D. LIBERFARB, P.C.

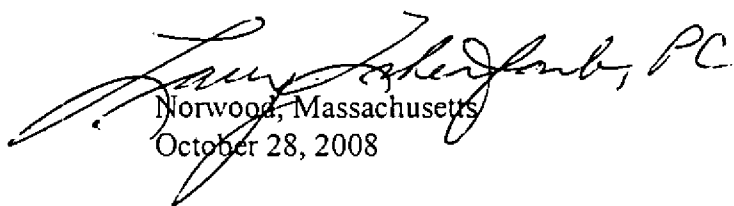
CERTIFIED PUBLIC ACCOUNTANTS  
AND FINANCIAL ADVISORS

11 Vanderbilt Avenue, Suite 220, Norwood, Massachusetts 02062  
Tel. (781) 255-8800 Fax (781) 255-9217  
E-Mail: Info@Liberfarb.com

## **Independent Auditor's Report on Supplementary Information Required by Rule 17a-5 of the Securities and Exchange Commission**

To the Sole Member of  
Spearhead, LLC

We have audited the accompanying financial statements of Spearhead, LLC as of and for the year ended September 30, 2008, and have issued our report thereon dated October 28, 2008. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Norwood, Massachusetts  
October 28, 2008

# SCHEDULE I

## SPEARHEAD, LLC

### COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL PURSUANT TO RULE 15c3-1

SEPTEMBER 30, 2008

Aggregate Indebtedness	
Accounts payable and accrued expenses	\$ 42,880
Long-term notes payable	<u>48,394</u>
	<u>\$ 91,274</u>
Net Capital	
Total Member's Equity	\$ 354,433
Adjustments to Net Capital	
Fees receivable	(206,780)
Property and equipment	(70,133)
Other assets	<u>(6,667)</u>
	<u>(283,580)</u>
Net Capital, as defined	<u>\$ 70,853</u>
Net Capital Requirement	\$ 5,000
Net Capital In Excess of Requirement	\$ 65,853
Ratio Of Aggregate Indebtedness To Net Capital	1.29 to 1
Reconciliation with the Company's computation of net capital:	
Net capital as reported in the Company's Part IIA (unaudited)	
Focus Report	\$ 70,854
Net audit adjustments	13,993
Increase in non-allowables and haircuts	<u>(13,994)</u>
Net capital per above	<u>\$ 70,853</u>

There are no material differences between the computation of net capital presented above and the computation of net capital in the Company's unaudited Form X-17A-5, Part IIA filing as of September 30, 2008.

**SCHEDULE II**

**SPEARHEAD, LLC**

**COMPUTATION FOR DETERMINATION OF  
RESERVE REQUIREMENTS FOR BROKER/DEALER UNDER  
RULE 15c3-3 OF THE SECURITIES EXCHANGE ACT OF 1934**

**SEPTEMBER 30, 2008**

Spearhead, LLC is exempt under subparagraph (k)(2)(i) from the reserve requirements of Rule 15c3-3 as its transactions are limited, such that it does not handle customer funds or securities, accordingly, the computation for determination of reserve requirements pursuant to Rule 15c3-3 and information relating to the possession or control requirement pursuant to Rule 15c3-3 are not applicable.

# LARRY D. LIBERFARB, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
AND FINANCIAL ADVISORS

11 Vanderbilt Avenue, Suite 220, Norwood, Massachusetts 02062  
Tel. (781) 255-8800 Fax (781) 255-9217  
E-Mail: Info@Liberfarb.com

## **Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5(g)(1)**

To the Sole Member of  
Spearhead, LLC

In planning and performing our audit of the financial statements of Spearhead, LLC (the Company), as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in the following:

1. Making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e).
2. Making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from



unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.


A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe the Company's practices and procedures, as described in the second paragraph of the report, were adequate at September 30, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

  
Larry D. Liberfarb, PC  
Norwood, Massachusetts  
October 28, 2008

END